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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

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WHITEHOUSE FOR NSC/WEUROPE

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SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: November 09, 2006

GUSENBAUER AND SCHUESSEL TO MEET AGAIN

¶1. SPOe boss Alfred Gusenbauer and Chancellor Wolfgang Schuessel will meet in Parliament Friday to discuss again whether there is still a chance for a grand coalition. In the meantime, Federal President Heinz Fischer has indicated he is prepared to give the two parties "one or two weeks" to come together. Otherwise, he indicated that other options, possibly a minority government or new elections, would have to be considered. [ORF online]

SPOe CONTEMPLATES MINORITY GOVERNMENT

¶2. More and more frequently, prominent Austrian Social Democrats are publicly considering the option of forming a minority government, if no grand coalition with the OeVP can be forged. Salzburg Provincial Governor Gabi Burgstaller, in an interview with mass circulation daily "Kurier," suggests establishing a minority government while the two investigation committees (Eurofighter, banks) are at work. A possible minority government would have to be tolerated by the Greens and the FPÖe. FPÖe boss Heinz-Christian Strache, however, is arguing for a "Swiss-style" temporary government of all parties, if all other options fail. [Kurier, p2, Der Standard, p1, and other media]

EU THREATENS TO ABANDON TURKISH MEMBERSHIP NEGOTIATIONS

¶3. The EU Commission progress report indirectly charges Turkey with a breach of contract by refusing to show any movement on the Cyprus issue. The Commission announced that, if Turkey does not acknowledge Cyprus by the end of December, there will be sanctions concerning the membership talks. [Neue Kronenzeitung, p3, Kurier, p4, and other Austrian media]

HAMAS ANNOUNCES END OF CEASEFIRE

¶4. After an Israeli attack which led to 19 deaths in the town of Beit Hanoun in the Gaza Strip, the Israeli-Palestinian conflict has escalated further. European politicians expressed shock at Israel's action and President Bush said he hoped such an attack "will not be repeated." Hamas has announced revenge and is freezing negotiations with Fatah over formation of a unified government. [Oe1 radio morning news, Der Standard, p5]

US MIDTERM ELECTION SPECIAL

¶5. DEMOCRATS APPARENTLY VICTORIOUS IN SENATE AS WELL
After their victory in the House of Representatives, the Democrats

may have gained a majority in the Senate as well. In a tight race, Democrat Jim Webb of Virginia declared victory over Republican incumbent George Allen, who has not yet conceded defeat. It could take up to a week to count all the votes, according to reports, and a recount could further prolong the procedure. Virginia would give the Democrats 49 seats in the Senate of 100 altogether. With the two seats won by Independents who say they will vote with them, the Democrats would have a majority for the first time since 1994. [ORF online]

16. ELECTION DEFEAT: BUSH "SACRIFICES" RUMSFELD

As a first consequence of the election debacle, US President Bush has decided to replace his controversial Secretary of Defense, Donald Rumsfeld. At a press conference, Bush said he and Rumsfeld agreed that "the Pentagon needs new leadership." Former CIA boss Robert Gates will become the next Secretary of Defense; he has to be confirmed by the Senate. The Iraq strategy of the Bush administration was a primary reason for the massive defeat, all media agree; Bush's decision to "sacrifice" Rumsfeld, as several media headline the story, is seen as an acknowledgement of this and as a first signal for a change of course in the administration's Iraq policy. [Die Presse, pl, and other Austrian media]

17. ANALYSIS OF VARIOUS AUSTRIAN DAILIES

"Neue Kronenzeitung"

The mass circulation tabloid focuses on the resignation of Secretary of Defense Donald Rumsfeld and speculates on possible future changes in the presidential staff, referring to Secretary of State Condoleezza Rice as a "not uncontroversial" cabinet member. On the Democratic side, the future Speaker of the House, Nancy Pelosi, according to the tabloid, is aiming at establishing a closer working agreement between Democrats and Republicans to reunite "a deeply divided country that is exhausted from the Iraq war."

"Kurier"

The mass circulation daily also concentrates on Rumsfeld's resignation as the "first dramatic signal" that this midterm election has fundamentally changed the political landscape of the US. Of newly-nominated Secretary of Defense Robert Gates, CIA boss under George Bush Sr., the daily writes that he, "in contrast to Rumsfeld, is not an ideologue and cultivates good contacts with Democrats." In the future, Bush could encounter resistance not just from the Democrats, but also from within his own party, the daily warns: Because he has partly lost the religious right, his die-hard supporters, Bush now has to move closer to the political center. Immigration, at least, should not be difficult for the President - he already holds a more liberal position than his party's hardliners, says "Kurier."

"Kleine Zeitung"

The mass circulation Styrian daily analyzes the landslide victory of California's Governor Arnold Schwarzenegger, who won more votes than any other governor up for re-election. One year ago, such a victory seemed extremely unlikely - Schwarzenegger had suffered a serious defeat in a popular referendum with a conservative austerity package. Since then, the Governor has become more moderate and cooperated closely with the Democrats who have a majority in the California Legislature. He distanced himself from fellow Republican George Bush on the Iraq war and scored points on immigration and environmental issues.

"Der Standard"

Foreign affairs writer for independent daily "Der Standard" Christoph Winder analyzes the election results: "The Republicans' old recipes for success didn't work. The Democrats on Tuesday reaped the grapes of wrath but this alone will not suffice. They will have to formulate a political plan for 2008. They have so far failed to come up with brilliant ideas on Iraq or on most of the domestic issues."

The daily also analyzes the chances for a change of course in Iraq as a result of the US midterm elections. Foreign editor Gudrun Harrer notes that the Democrats also lack an acceptable exit strategy. Immediate withdrawal is no realistic alternative, since this would mean giving up US interests in the region. Attention is now focused on the bipartisan Iraq Study Group headed by Republican

James Baker and Democrat Lee Hamilton, which is expected to recommend a gradual withdrawal. The question is how to prepare Iraq for that. Some argue in favor of a well-ordered division of the country, but the question is how to get a grip on security. While it is clear that Iraq will not become what the Republican war strategists envisioned in 2003, it is unclear what will happen there instead - and what this will mean for US interests.

"Die Presse"

The centrist daily sees the election result as a "vote on George W. Bush and the Iraq war," and was acknowledged as such by the President. The bipartisan study group headed by former Secretary of State James Baker could present its findings in a few weeks. The daily refers to speculations that the group intends to recommend direct talks with Syria and Iran, which would constitute a total turnaround from the foreign policy as practiced by the Bush administration so far. The democrats are meanwhile debating whether or not to initiate impeachment procedures against the President. What is certain is that an antagonistic Congress would turn the President into a "lame duck" for the remainder of his term in office.

"Wiener Zeitung"

The semi-official daily deals with the European assessment of the US midterm election results. Italy's Prime Minister Romano Prodi is convinced Bush lost the election because of the Iraq war, while the governing Spanish socialists welcomed the election victory of the Democrats and expressed the hope that "this will help change the US foreign policy course." A gradual US withdrawal from Iraq is also expected by prominent German foreign policy expert Hans-Ulrich Klose from the SPD. French parliamentarian Francois Fillon, a confidant of Interior Minister Nicolas Sarkozy, said he was "glad" that American foreign policy was criticized by the American people, "because it is bad." John McDonnell, a leading British Labour politician, pointed out that the election results not only damaged Bush, but also served to isolate Prime Minister Tony Blair in the international community. In Austria, SPOe spokesman Josef Cap characterizes the election results as "positive," and "one in the eye" for President Bush and the "insensitive attitude" demonstrated by his party in view of the social problems in the US.

"Salzburger Nachrichten"

According to the independent daily, the lesson of this election for Republicans is that it is dangerous to rely entirely on its conservative base and neglect the political center. The Democrats, too, will have to "govern from the center" - many newly-elected Democrats are moderate and closer to the Republicans than to their own party. Now, the Democrats have to look towards the future, writes deputy chief editor for "Salzburger Nachrichten" Viktor Hermann: "For the next two years, the Democrats have the chance to show Americans what they can do. They can initiate positive legislation in Congress on the political, economic, and social levels. Some of these initiatives will fall victim to parliamentary trade-offs, some to the presidential veto, but it will still be a chance to present to the American voters an efficient political party that can claim the presidency two years from now."

"Vsterreich"

The mass circulation tabloid analyzes the overwhelming victory of Hillary Clinton in the New York Senate race. This triumph could foreshadow her future: Clinton wants to decide in the coming month whether to run for President in 2008. Her recent victory could be an excellent starting point for being the first woman to capture the White House, writes the tabloid.
Phillips